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S E C R E T SECTION 01 OF 02 TOKYO 005480

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TREASURY FOR TFI CLARK, DUVIVIER.

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TAGS: [EFin](#) [PArM](#) [PiNR](#) [PiNS](#) [JA](#) [IR](#)
SUBJECT: JAPAN: TREASURY UNDERSECRETARY LEVEY CONSULTS ON
IRAN SANCTIONS

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Classified By: Ambassador J.Thomas Schieffer for reasons 1.4 (b) and (d)
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¶1. (S) Summary. Treasury Under Secretary for Terrorism and Financial Intelligence Stuart Levey met in Tokyo on November 14 and 15 with Government of Japan officials to discuss recent U.S. sanctions against Iran, reactions to the FATF statement on Iran, and the need for additional financial measures to protect the international financial system from abuse by Iranian entities and individuals involved in terrorism and proliferation activities. Japanese government interlocutors emphasized the utility of a multilateral approach to dealing with Iran's illicit finance and weapons proliferation activity. MOF official told Levey privately that Japan could support action against Iran's commercial institutions, such as Banks Melli and Mellat, but that it would be far easier to support such measures if the U.N. or other governments acted first. He cautioned that sanctions against the Central Bank of Iran were "off the table" due to its central role in oil-related transactions. End summary.

¶2. (U) Under Secretary of Treasury for Terrorism and Financial Intelligence Stuart Levey met November 14 and 15 with Deputy Vice Foreign Minister for Political Affairs Mitoji Yabunaka, Ministry of Finance Vice Minister for International Affairs Naoyuki Shinohara, Financial Services Agency Commissioner Takafumi Sato, and Cabinet Office Director of Intelligence Hideshi Mitani to discuss implementation of U.N. sanctions and U.S. financial measures against Iran. U/S Levey also held a press roundtable event with nearly a dozen reporters, including representatives from Associated Press, Bloomberg, Reuters, Nikkei, and Kyodo.

General Theme of the Government of Japan Meetings

¶3. (S) During his meetings with government interlocutors, Under Secretary Levey expressed appreciation for Japan's support on U.N. sanctions against Iran, but noted that the road toward a third resolution is difficult, given the Russian and Chinese positions. He encouraged thought and discussion about what measures could be taken outside of the U.N. context. Levey noted the recent statement by the Financial Action Task Force warning about the risks posed by Iran to the international financial system and discussed recent U.S. proliferation and terrorism designations of Iranian banks, entities, and individuals supporting proliferation and terrorism activities. While sharing further information on the U.S. designations, including on Iranian state-owned banks (Mellat, Melli, and Markazi/Central

Bank of Iran), Levey solicited opinions on the possibility of taking action outside the U.N. throughout the course of his meetings.

"We will try to cooperate, but there are certain limits."

¶4. (S) MOF,s Shinohara was careful to emphasize Japan,s preference for any further sanctions to be under the mandate of the U.N., stating "our position has not changed. We hope the U.S. will make every effort to work within the framework (of the U.N.)". Shinohara described MOF,s close communication with all major Japanese banks, and those institutions, extreme caution when dealing with Iranian counterparties. Using publicly available BIS statistics, Shinohara indicated how the size of transactions between Japanese and Iranian banks is diminishing.

¶5. (S) However, when pressed on how Japan might respond to a hypothetical series of sanctions, Shinohara first commented, "I am constrained by the official line," and intimated he could not speak freely while his subordinates were in the room. When Levey raised the matter of the Central Bank of Iran (CBI, aka Bank Markazi) and its attempts to disguise its transactions, Shinohara exclaimed, "This is a very serious matter. This would have huge implications for the oil market.

I hope you,re being practical on this; we will try to cooperate, but there are certain limits," noting that he didn,t want to see the price of oil reach "\$200 to \$300" per barrel.

¶6. (S) Shinohara closed the meeting by underscoring, "we understand your position very well, but we hope you understand our position very well...sanctions will be ineffective unless they are applied universally." He stated the need for UN Security Council action against Iran, noting that it is not that Japan is reluctant to take measures outside of the UN, but that, for sanctions to work, Russia and China need to be on board. Following the meeting,

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Shinohara told Levey privately that Japan could support action against Iran,s commercial institutions, such as Banks Melli and Mellat, but that it would be far easier to support such measures if the U.N. or other governments acted first. He cautioned that sanctions against the CBI were "off the table."

"They are sending one after another from Tehran to Tokyo."

¶7. (S) MOFA,s Deputy Vice Minister Yabunaka cited Japan,s concerns about and strong position against Iran,s nuclear development. Yabunaka described Iran,s efforts to address the effects of sanctions as "sending one person after another from Tehran to Tokyo," and disclosed that Japan,s consistent response is "you have to suspend these activities." Yabunaka explained that Iran understood Japan,s position very well, "but we try to maintain an open channel of dialogue." Stating that "we support a strong third (U.N.) resolution," Yabunaka also emphasized "we support the stance and activities of the international community" with regard to Iran.

¶8. (S) When Levey asked what it would take for Iran to change their thinking, Yabunaka immediately replied: "they want one thing: respect." Describing his recent travel to Tehran, Yabunaka explained that the "last two resolutions sent a strong message, because it was everyone (in the Security Council); going outside the U.N. structure weakens the message." Noting that 40% of Japan,s oil imports from Iran are payment for loans-now being carried out on a yen basis-Yabunaka cited fears of taking "actions that would affect this repayment."

¶9. (S) Commissioner Sato of the Financial Services Agency (FSA) carefully detailed how Japan,s financial regulator had mechanisms for identifying specific transactions and

assessing risk related to financial transactions with Iran. Sato explained Japan's compliance with UNSCR measures against Iran, noting that Japanese institutions had supplied only \$300 million in credits in June, down from \$600 million in the preceding six months. Sato further detailed how the FSA was setting a priority on evaluating banks, mechanisms for monitoring "questionable transactions" in its inspections. Sato echoed Shinohara's comments at MOF about Japanese banks exercising extreme caution when dealing with Iranian institutions, suggesting that there had been no new loans to Iran, only the settlement of import and export transactions. One noticeable trend is an increase in the ratio of yen-denominated settlements, according to Sato, but the FSA had not seen any further evidence of Iranian institutions trying to strip out their names from transactions; an activity of this nature would trigger mechanisms for reporting suspicious transactions.

¶10. (S) Although careful to delineate his office's role as strictly outside the policy realm, Cabinet Office Director of Intelligence Mitani described how both the Prime Minister and the Chief Cabinet Secretary were briefed in "great detail" on Iranian sanctions, including "which companies would be affected." Mitani was curious about the response Levey was getting from China, Russia, and the GCC states, suggesting that Iran sanctions were much more difficult to manage compared to North Korea, both geographically and financially.

Mitani noted concerns about Iran-North Korea missile cooperation and North Korean counterfeiting. While reiterating "I cannot comment on Japanese policy," Mitani underscored Japan's opposition to any change in the designation of North Korea as a supporter of terrorism, especially as long as the issue of North Korean abductions of Japanese citizens has not been resolved.

¶11. (U) Comment: Levey told media representatives at the end of his visit that the purpose of his trip was consultation with Japanese authorities on financial measures against Iran.

¶12. (U) This cable was delayed in order to obtain Under Secretary Levey's clearance.

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